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JANUARY 1980
A BILL PUBLICATION
THREE DOLLARS

THE SHAPE OF THINGS TO COME

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Are You Overspending On Training?

Why Some Managers Take the Franchise Option

Will You Be the Last "Iceman"?

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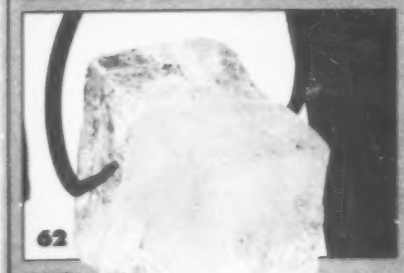
SALES & MARKETING MANAGEMENT



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SINGLE REPRINTS: 313-761-4700
MULTIPLE REPRINTS: 201-423-3600
PERMISSIONS; ARTICLE SEARCH: 212-984-2400
BACK ISSUES: 212-973-4911

VOL. 142, NO. 1 *Sales & Marketing Management* ISSN 0163-7517 is published monthly except in February, August, and November, when it is published twice a month, by Bill Communications Inc., 633 Third Avenue, New York, NY 10017. Telephone: 212-986-4800. Copyright 1990 by Bill Communications, Inc. All rights reserved. Subscriptions in the U.S. and its possessions, $38. Canada, $52 (U.S.). Foreign, $67 (U.S.). Allow 4 to 6 weeks for first issue to arrive. Second Class Postage paid at New York, NY, and at additional offices. Postmaster: Send address corrections to *Sales & Marketing Management*, Subscription Service Department, P.O. Box 1025, South Eastern, PA 19398-9975. Member of the Audit Bureau of Circulations and Association of Business Publishers.

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ABP

EDITOR'S SIDE POCKET

READY FOR ARTIFICIAL STUPIDITY?

Most of you can say you read it here first. A small minority (very small, I suspect) can say they read it in a waggish publication called the *Journal of Irreproducible Results*. I'm talking about an idea whose time has come. No doubt, you've heard about Artificial Intelligence (AI)? Well, I'm talking about Artificial Stupidity (AS).

"Hold on, brother," I can hear you saying. "Why do we need the artificial kind? Look around: We've already got plenty—too much—of the real McCoy." Ah, but that's just the point. As John N. Koch, the great mind behind AS, points out, "Many of humanity's problems arise not from a lack of natural intelligence but from an excess of natural stupidity. Intelligent people do foolish things that waste time, cause worthwhile projects to fail, and sometimes even produce death and injury. If artificial systems could take responsibility for doing dumb things, a great deal of natural intelligence could be saved." As an example, Koch tells of his researchers at Yellowstone seeing intelligent people taking photographs 10 feet away from a male buffalo, despite warnings to the contrary. He points out how much productive intelligence could be saved if a machine could be employed to throw sandwiches at (and take pictures of) large, dangerous animals in our national parks.

A crude example, perhaps, but one does not have to look far to see AS's applicability to sales and marketing. Certainly, for instance, none of us would deny that serving and satisfying the customer is today's first imperative. And yet think how often our very own people fail to measure up; think of the rude receptionists, condescending customer service representatives, and ignorant, ill-prepared salespeople. When confronted with their behavior, they, of course, concede that it's stupid and self-destructive, yet they continue to do it. Why not throw in the towel and develop a machine to be rude, condescending, and ignorant on their behalf?

You point out that we're already surrounded by so much natural stupidity. How, then, will we know when we have developed AS? Here again, Koch provides the answer: "... when a human interacting with a machine can't tell the difference between it and (a) his or her boss or (b) the stupidest member of his or her spouse's immediate family."

Would that everything were so clearcut. But it's not, least of all in our business lives, as our main cover story makes clear. It will take a great deal of intelligence to make it through the next decade. The future simply holds so much potential for doing stupid things. And, lacking AS, we'll continue to do some of those things ourselves. We will, for instance, continue to believe that we can beat the odds; that we can pay our salespeople less than our competitors, yet expect turnover and productivity in our firm to be equal to the competition's. It doesn't figure, and our survey documents that it doesn't figure, but there will be many managers who will continue to deceive themselves.

Check out "The Shape of Things to Come." We wouldn't presume to say it'll keep you from doing something stupid. But it may get you on the right track for the 1990s.

THE SHAPE OF THINGS TO COME

What you need to know to make your sales effort more productive—and your company more profitable.

BY WILLIAM A. O'CONNELL AND WILLIAM KEENAN JR., SENIOR EDITOR

In the coming decade, not only will the sales executive preside over some radical changes in selling, he will also be under a microscope as never before.

Most sales executives, in fact, will already have had a taste of the changes that will affect their work in the next decade—just-in-time production and purchasing, sophisticated computer-based materials planning, and the growing concentration of buying points for companies selling in any number of industries. Added to these are changes arising out of the way goods and services are marketed and sold, with new distribution options, telemarketing, computer-aided target marketing, and more.

This survey on Sales Force Productivity was a joint project of Sales & Marketing Management *and Personnel Corporation of America. Results are based on responses from 192 companies representing a total of nearly 10,000 sales representatives. The average company participating in the survey had a sales force of 61, an average annual sales volume of $86.5 million, and profits of 11.8%.*

It's an evolution the outlines of which are just beginning to emerge, and when it has run its course, the typical sales executive is likely to find himself or herself presiding either over a field sales force that has lost its traditional power, effectiveness, and prestige or over a more powerful sales organization that integrates the best efficiencies of direct marketing, data-base marketing, telemarketing, and a whole arsenal of automated sales tools.

Efficiency and effectiveness, as you might guess, are the key words in this evolution and should key the decision making of sales executives in the decade to come.

A new survey, conducted jointly by *Sales & Marketing Management* and Personnel Corporation of America, suggests that, in the nineties, the scrutiny of the boardroom will fall increasingly on the line items that comprise general sales administration costs. And, of course, it will be the sales executive who will be asked to justify those costs.

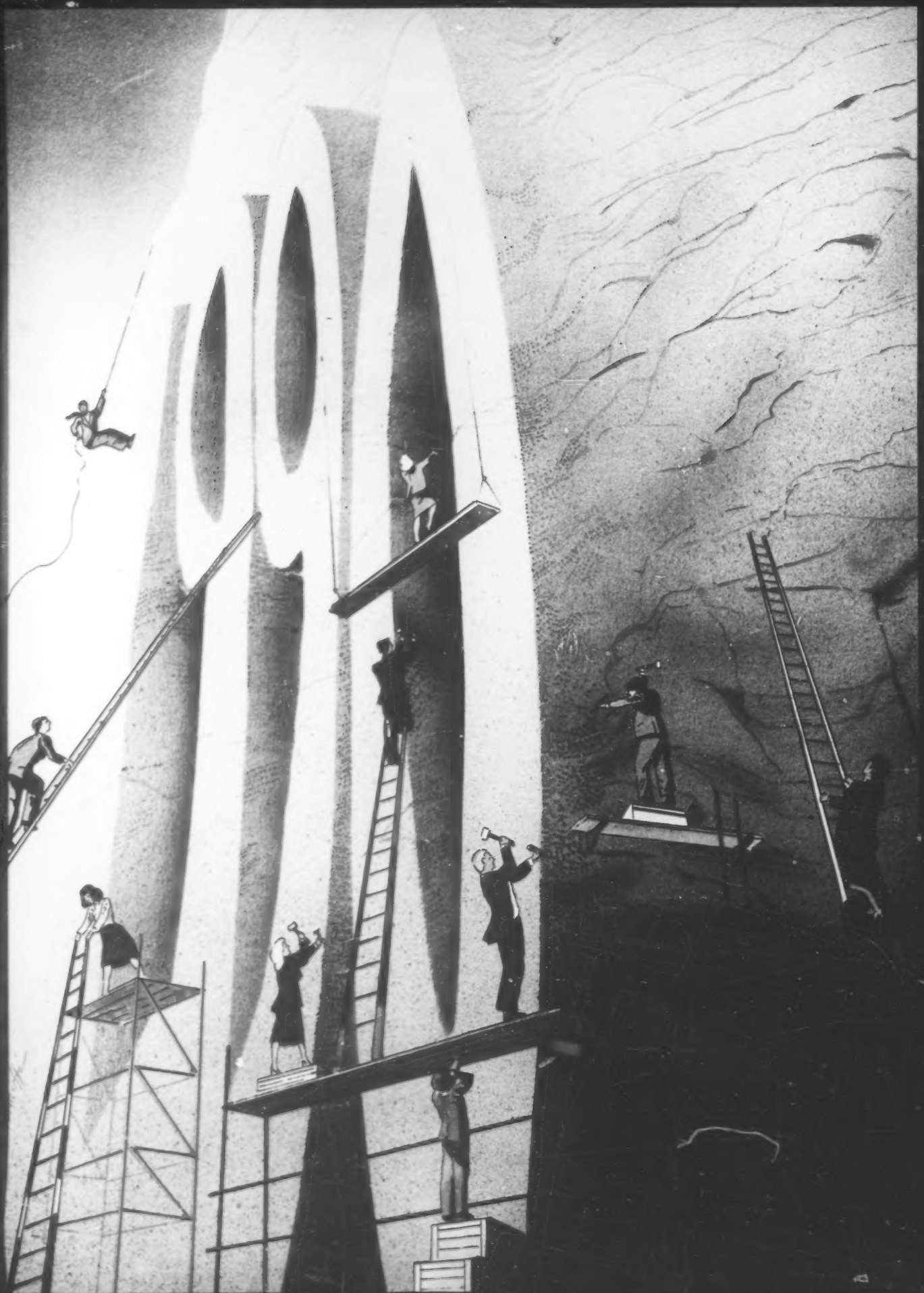
It won't be easy. The average cost of a business-to-business sales call has been increasing at an annualized rate of just over 11%. At the same time, survey participants report that they've been able to raise prices by an average of only 5% over the past three years. The result is that the overall cost of a sale amounts to an average of 14.5% of sales volume, according to our survey, but it can range as high as 30%-35% at some companies. Given that improvements in sales productivity will drop straight to the bottom line, many CEOs will be knocking on the sales manager's door looking for changes.

THE 80/20 REALITY

A change in purchasing practices—just-in-time inventory control, for instance, computer-based purchasing, or preferred vendor relationships—can have a profound impact on a firm, especially if it affects your sales relationship with a key account. And the fact is that while the 80/20 rule—the general rule that 80% of your sales will come from 20% of your customers—may not be literally true, it's true enough that the unexpected loss of a key account can radically alter a company's fortunes.

Our Sales Productivity Survey indicates that the top 20% of accounts contributed a median 75% of sales volume for participants (see Table 1)—a sort of 75/20 rule—but also that 50% of a typical company's sales volume came from the top 10% of its customers, and a full 90% of all firms' sales volume came from the top 50% of their accounts. The sales manager who ignores—or is ignorant

ANDREA BARUFFI



of—that sort of distribution among his customers does so at his own risk.

It's no surprise, then, that the majority of sales managers believe that the most important objectives of their sales forces ought to be: 1) retaining existing accounts, and 2) gaining share with existing accounts (see Table 2). What *is* striking about the results overall, however, is the fact that sales managers' perceptions of their present performance in these key areas of selling effectiveness fall far short, in virtually all cases, of their rating of their importance.

For example, while 76% of participants rated retaining existing accounts as very important, only 63% rated themselves as very effective at doing it. Similarly, while gaining share within existing accounts was rated as important by 68% of respondents, only 39% saw themselves as very effective at accomplishing that goal. That's clearly no vote of self-confidence.

Part of the reason for that lack of effectiveness, we suspect, may be the amount of time and resources companies are committing—whether as a strategic goal or simply out of habit—to finding new customers and opening up new accounts. Just how tough it can be for those whose sales performance depends on gaining new accounts can be calculated by reviewing what managers say an average sales call costs and also how many calls are required to close first sales in contrast to subsequent sales.

Specifically, survey respondents reported that it took *an average of seven calls to close a first sale* compared to only three calls to close a subsequent sale with an existing customer.

By multiplying the difference of four sales calls by the average cost of a sales call or $239, we can see that it's more than twice as expensive to land a new account as to penetrate an existing account.

Type of Account	Number of Calls Required to Close	Cost of a Sales Call	Cost of a Sale
NEW	7	$239	$1,673
EXISTING	3	239	717
		DIFFERENCE	$ 956

That amounts to a whopping 133% premium on the cost of a new sale over one to an existing account. And while it should be no surprise that breaking a new account costs more (companies spend an average of 53% more on T&E alone on new accounts, as we saw in last May's T&E survey, "Are You Getting Your Money's Worth?"), the level of those costs should give companies a better perspective on how their sales efforts should be distributed among new and existing accounts.

In fact, survey participants report that an average of only 17% of their companies' total sales volume comes from sales to new accounts. That figure isn't surprising when we consider that managers at most firms indicate that the margins accepted "to get a foot in the door" are often lower than those for subsequent sales—making new accounts business the least profitable as well as the most costly.

Given that survey respondents indicate that the average number of active accounts per sales representative is 99,

It takes an average of seven calls to close a first sale, three for a subsequent sale.

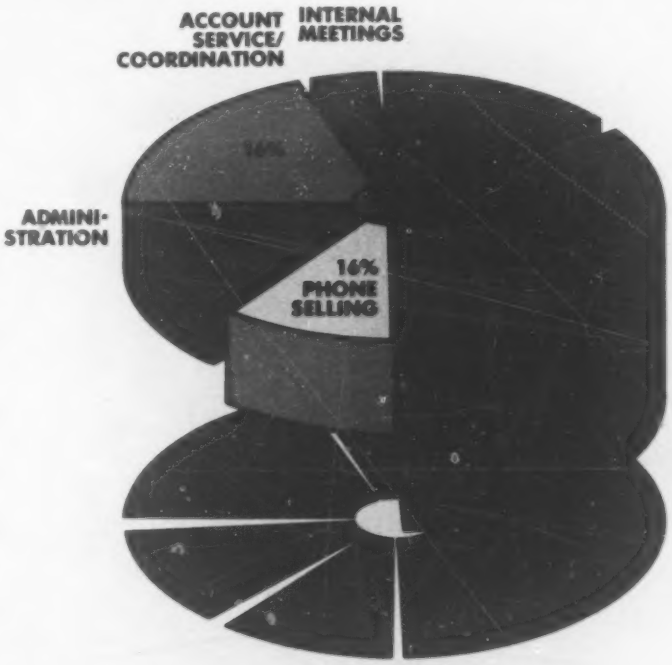
Evolution Of A Sales Manager

One of the most surprising things that turned up in our survey is how many different sales positions, goals, market segments, sales skills, pricing issues, and ROI expectations will have to be managed by top sales executives in the 1990s in contrast to the relatively simple management challenge of the past.

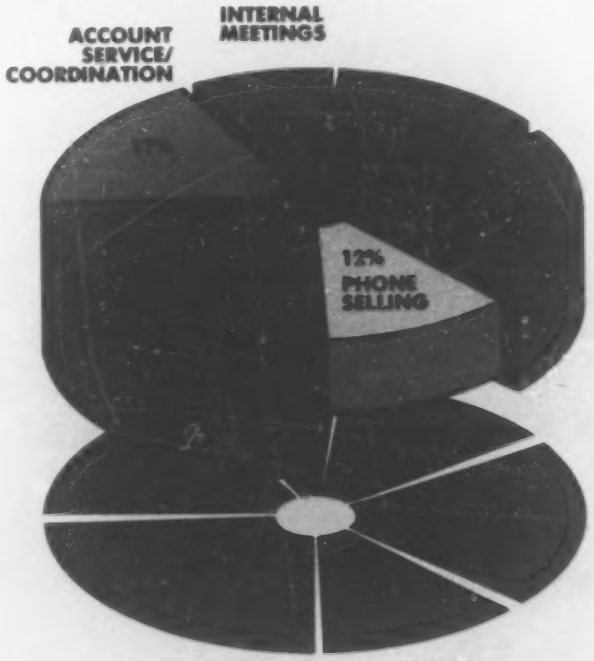
The degree of complexity (and stress) found in a managerial job can be measured by estimating the extent of differentiated tasks and interpersonal relationships that must be integrated toward one objective by the sales manager:

	1950s—1970s	1990s
Volume sold by:	Direct sales force	75% through direct sales 5% through telemarketing 11% through distributors/ wholesalers/VARs 6.6% through outside sales agencies 2.4% through others
Kinds of sales jobs:	Territory sales reps District managers Regional managers	Territory sales reps Key or major account reps National account managers Sales support reps Customer service reps Telemarketing reps Administrators Sales trainers District managers Regional managers Industry specialists
Marketing approach:	Mass marketing techniques targeting one type of customer	Market segmentation techniques targeting several "niches"
Performance expectations:	Increase in overall sales volume Minimize turnover	Increase sales volume in strategic markets, strategic products Increase margin contribution Decrease cost of sales Attract top sales performers

How Salespeople Spend Their Time



And Sales Managers...



we can also profile the return on annual time investment of the average American sales force by calculating that 17% of 99 accounts (or 17 × 7 sales calls) equals 119 sales calls and comparing that to the 246 calls per year (82 accounts × the 3 calls required to close) that remain. The inescapable and depressing conclusion: the average sales force seems to be spending 33% of its selling time gaining the least profitable 17% of its revenue.

You might want to keep some of those numbers in mind the next time a salesperson is transferred to a virgin territory or a new sales representative is sent out into the field without a base of existing accounts.

PRODUCTIVITY PRESCRIPTIONS

Our survey results suggest that some sales managers have already started to respond to the challenge of improving sales force productivity. Table 3 suggests some of the options that will receive greater attention.

In particular, it reveals that sales managers are leaning toward two productivity levers to regain lost ground:

- Integrating new technology into the sales force. The sales force of the 1990s will be making greater use of such technologies as laptop computers, E-mail, faxes, car phones, and other electronic or computer-based tools. While 47% of top sales managers believe that integrating new technology is important now, fully 66% believe that integrating new technology will be a critically important productivity lever in the 1990s.
- Increasing sales force incentives. The single most favored productivity lever both now and in the next decade is using incentives to focus sales efforts on strategic accounts and products.

The trouble is, while these measures may be favored, we don't necessarily know that they will work. Through a closer look at some of the better-performing sales forces in the survey, however, we can offer some concrete prescriptions for sales managers seeking to develop a more productive sales team over the next decade.

To accomplish that analysis, we first defined the best performing sales forces by arraying the survey responses for each firm's cost of sales by quarters from high (low performance) to low (high performance). We then correlated the level of sales force investment or input measures for the firms in the high-performing quarter to the level of investment indicated by the overall result and firms in the lowest performing quarter. ▸

The conclusions (displayed in the table below) should arm sales managers with some of the information they need to make their sales efforts more productive and their companies more profitable (and their top management happier).

■ First, there is a distinct relationship between pay levels and sales force turnover. Over several decades, sales rep turnover has been the highest of all white collar professions. Many are the sales managers who have argued for higher pay and who have moaned about the high cost of turnover. The survey results (which combine voluntary and involuntary turnover) provide one more strong argument for these sales managers: as the chart below indicates, the higher the firm's average total cash compensation for sales reps, the lower their likely turnover.

	Average Annual Total Cash Compensation per Rep Paid by the Firm	Sales Rep Annual Turnover Rate For Those Firms
TOP QUARTER	$76,435	24%
3RD QUARTER	$47,957	26%
2ND QUARTER	$40,913	29%
1ST QUARTER	$30,087	37%

■ Second, the survey shows that the more a firm pays a sales rep or manager, the more he or she will produce for it. According to the survey, firms that have a low cost per sale pay their sales managers an average total compensation of $71,286 and their sales reps an average total compensation of $53,069. In comparison, the overall survey average total compensation for sales managers was $67,926, and for sales reps $49,158. Firms with a high cost of sales, on the other hand, paid sales managers an average of $62,357 and sales reps an average of $43,310. The implication is clear—better paid sales forces sell more per rep.

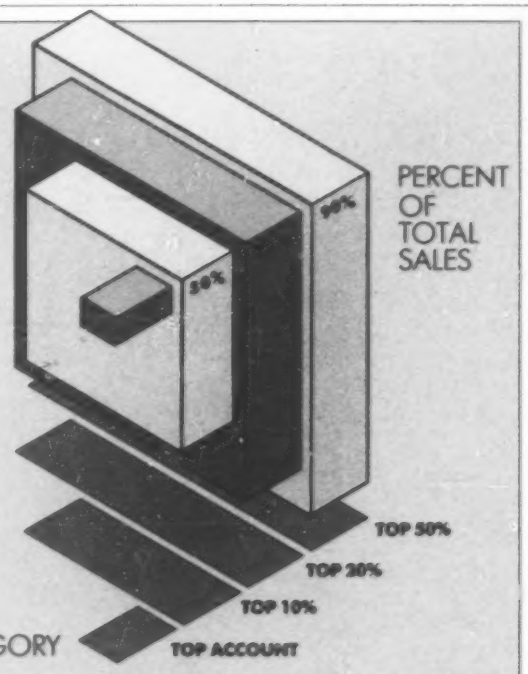
■ Third, top performance sales forces invest in their sales force by spending an annual average of $5,361 per sales rep on training, while firms in the lowest performance group spend $279 per sales rep in their annual training budget.

What's more, the annual meetings budget of top performance sales forces averages $4,563 per sales rep in contrast to the lowest quarter sales organizations, whose annual meetings budget averages $232 per sales rep.

To get another angle on what areas to target for productivity improvement, we can also look more closely at the profit gains achieved by companies that gave themselves a high rating for effec-

Table 1

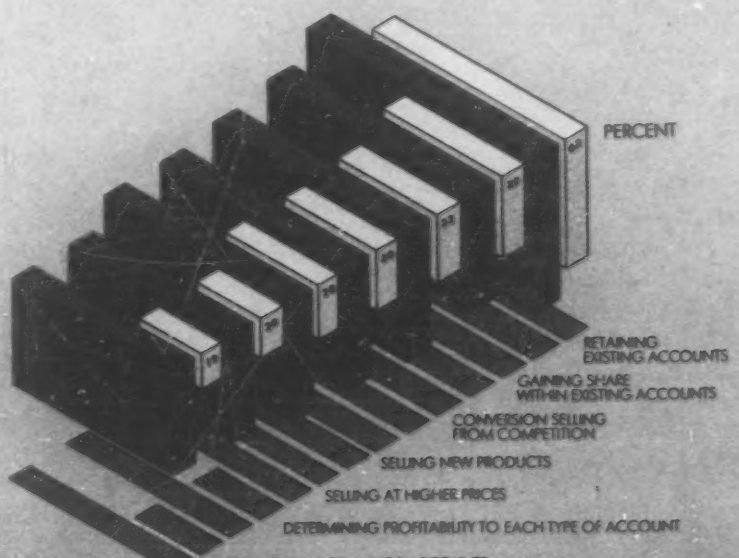
Pareto Variations



SOURCE: Data in all tables from *Sales Force Productivity*; a joint study conducted by Personnel Corporation of America and *Sales & Marketing Management*.

Table 2

How You Rate Yourselves


PERCENT
RETAINING EXISTING ACCOUNTS
GAINING SHARE WITHIN EXISTING ACCOUNTS
CONVERSION SELLING FROM COMPETITION
SELLING NEW PRODUCTS
SELLING AT HIGHER PRICES
DETERMINING PROFITABILITY TO EACH TYPE OF ACCOUNT
SYSTEMS SELLING TO MAJOR ACCOUNTS

The table below compares the percentage of survey respondents:
■ who rate various selling tasks as having great importance.
with the percentage
□ who think that they're presently doing a good job at those tasks.

Table 3

Weighing the Options

The table below ranks sales productivity improvement options in terms of the percentage of companies that rate them as important *now* and *in the 1990s*. Those options growing most significantly in importance are highlighted.

NOW

Rank		
1.	Increasing incentives for strategic accounts	60%
2.	Increasing incentives for strategic products	57%
3.	Increasing incentives on volume	53%
4.	Improving motivation programs	50%
5.	Integrating new technology	47%
6.	Sales alternatives: direct mail	41%
7.	Sales alternatives: telemarketing	35%
8.	Increasing reliance on independent reps	35%
9.	Sales alternatives: catalogues	34%
10.	Increasing reliance on distributors	34%
11.	Increasing reliance on VARs	23%

1990s

Rank		
2.	Increasing incentives for strategic accounts	69%
4.	Improving motivation programs	57%
5.	Increasing incentives on volume	56%
7.	Sales alternatives: direct mail	45%
8.	Sales alternatives: catalogues	41%
9.	Increasing reliance on independent reps	40%
10.	Increasing reliance on distributors	37%
11.	Increasing reliance on VARs	23%

tiveness in specific aspects of their sales efforts. Table 4, for example, suggests once again that the big gains are to be made through an effective focus on existing accounts and on introducing new products.

The prescriptive conclusions for sales managers looking to join the ranks of top performance sales organizations are quite clear:

- Concentrate sales efforts on new products, particularly to existing accounts. Firms that are effective in accomplishing these objectives are three times more profitable than the overall survey average for those measures. In addition, firms that are effective at gaining share within existing accounts are able to maintain cost-of-sale levels 10% lower than the average for the survey as a whole.
- Concentrate on integrating new technology into the sales force. Firms who deem sales force automation as important have profitability levels of 30.8% compared with the overall survey profitability rate of 11.8%.
- Be wary of systems selling. Systems selling to major accounts does seem to correlate to a lower cost of sales (11.8% compared with 14% for the survey overall). However, be aware that only a few companies have focused on this effort, and these for a relatively short period of time. Thus far, there is no indication that it results in a higher level of profitability. □

William A. O'Connell is a partner in the sales force management practice for Personnel Corporation of America, a Norwalk, CT-based management consulting firm.

Table 4

Sales Management Practices

Productivity Indicators for Those Who Rate Themselves Highly Effective vs. Overall Survey Average

PRACTICE	% WHO CONSIDER THEMSELVES VERY EFFECTIVE OR QUITE EFFECTIVE	PROFITABILITY OVERALL SURVEY	PROFITABILITY EFFECTIVE FIRMS	% DIFFERENCE	COST OF SALES OVERALL SURVEY	COST OF SALES EFFECTIVE FIRMS	% DIFFERENCE
Systems selling to major accounts	18%	11.8%	15.2%	28.8%	14%	11.8%	(15.7%)
Determining the profitability of sales to each account	20	11.8	21.8	84.7	14	13.6	(2.9)
Selling at higher prices	27	11.8	8.4	(28.8)	14	12.8	(8.6)
Gaining share within existing accounts	37	11.8	32.7	177	14	12.5	(10.7)
Selling new products	32	11.8	34.4	192	14	16.3	16.4
Retaining existing accounts	62	11.8	22.6	91.5	14	13.1	(6.4)

NOTE: Profitability is given as the ratio of profits to total sales; cost of sales as the ratio of reported sales costs to total sales.

ARE YOU OVERSPENDING ON TRAINING?

Here's what it takes to put a top-notch sales force in the field.

BY WILLIAM KEENAN JR., SENIOR EDITOR

If all training programs for experienced salespeople at your organization were halted tomorrow, what would you expect to happen to sales in the course of the next six months or a year?

Fifty percent of the respondents to a recent *Sales & Marketing Management* survey felt that there would be *no change* at all. At first glance, this suggests that they don't value their sales training efforts too highly. The truth, however, may be not that their training expenditures are wasted or that they're not spending enough; rather, it may be that companies are not spending their training money *carefully enough* to make it effective.

HOW MUCH IS ENOUGH?

The average amount spent on sales training for experienced salespeople, according to the 1,554 companies that responded to our survey, was $3,737 per salesperson. The average is misleading, however: The *median* amount spent on sales training (half of our respondents spent more than this and half less) amounted to only $1,767. Larger companies spent more, as might be expected, and as many as 5% of the respondents spent $10,000 or more per salesperson. But the majority of companies spent far less (see Table 1). Even among companies with revenues of $500 million or more, more than half spent less than the average for all companies.

The amount a company spends on sales training depends on the type of industry it's in, the size and nature of the sales force, the amount of travel or the type of facilities required, the amount of turnover in the sales force, and the company's strategic goals and how these are translated into sales training goals.

The last of these is most important, according to those responsible for sales training on both sides of the fence—sales managers and corporate trainers, as well as those outside suppliers who provide sales training programs and services. And the ideal training budget would be started by determining training needs and then spending whatever was necessary to meet them.

One company that comes close to that ideal is Xerox Corp. According to Bill Ernisse, vice president of customer and marketing information for Xerox's U.S. Marketing Group, "Training starts with a sophisticated needs analysis that includes interviewing customers about their needs." That analysis is used to identify shortcomings or gaps in sales skills, and training programs are developed to eliminate the shortcomings and fill the gaps.

Even with an unlimited budget, however, training dollars can be misspent if they're not tied to specific goals like displacing a certain competitor, expanding business within specific accounts, or freeing up selling time. "How much training costs should depend on how much it is worth to a company," says Derwin Fox, senior vice president of product planning and development at Learning International, which offers on-site sales training programs for $300 to $500 per day per salesperson; and its worth can be determined accurately only if a company can tie training to a specific benefit or sales-related goal. "Whether a company spends $1,000 or $5,000 per person makes little difference if that training isn't tied into a business strategy."

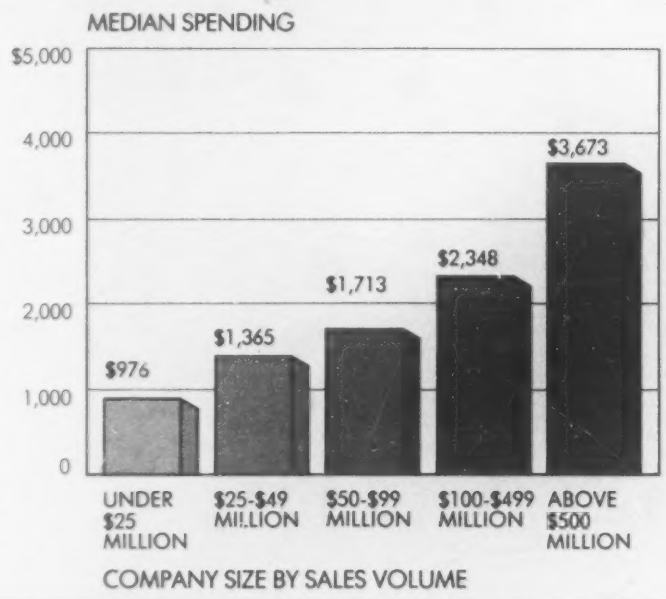
Mark Burrall, sales manager for Pflow Industries Inc., a $10 million manufacturer of vertical conveyors with four field salespeople, uses a training strategy similar in philosophy, if not in sophistication and expenditure, to that of Xerox. "We encourage salespeople to let us know what skills they feel they need to develop," says Burrall. "Then we look around to find the program best-suited to provide those skills." Because of the size of his sales team and his budget limitations—the $1,767 median is "in the ballpark" for his com-

JEFF LYNCH

pany—Burrall uses off-the-shelf programs and seminars almost exclusively, with most of the budget going to program fees, travel, and hotel costs. While the costs of such programs vary a good deal, Burrall says he is wary of training "bargains" and sticks primarily with established training organizations like the American Management Assn., the Univ. of Wisconsin Extension Courses, and programs offered by Chester Karrass. "Some of these may be more expensive than others available," he says, "but we've generally found that you get what you pay for."

TABLE 1

What You're Spending on Sales Training



SOURCE: S&MM Survey of Sales Training Practices.

TIME OUT OF THE FIELD

Almost as important as how much money to spend on training is the question of how much time to spend on it—or, alternately, how long can you afford to keep experienced salespeople out of the field before the losses resulting from their absence negate the gains resulting from their training?

The answer, in terms of our survey response, is a median of 1.7 weeks, or 8½ days out of the field. That median creeps up to a full two weeks for companies with 500 or more salespeople, but in our overall survey response, only one company in four devotes two full weeks or more to formal training sessions for experienced salespeople.

Some companies get away with less time than that by moving as much of the training effort as possible into the field and by providing more "up front" training to salespeople—i.e., providing more extensive training early on in the salesperson's career.

Hercules Inc., for instance, treats its chemical industry recruits to 26 weeks of training in their first year but keeps formal training sessions for experienced salespeople down to a week or less. A good part of that training, says John F. Regan, manager of professional development at Hercules, is devoted to "bringing salespeople up to speed on product knowledge." In addition, for senior salespeople, non-product training involves sharpening sales skills and reviewing marketing tools available that bear on specific customers.

One factor that works in Hercules's favor, Regan suggests, is its extremely low, 4%-6%, turnover in sales and marketing. Another factor that works to keep their maintenance training needs below the average is that most of their salespeople come from the ranks of chemists and chemical engineers within their organization who have already been working with customers. A third factor that works to sharpen the skills of senior Hercules salespeople, says Regan, is that "once our salespeople become experienced, we expect them to give as much training as they get, both in the field and in more formal training sessions."

Xerox Corp., which provides its intermediate level salespeople with two weeks of training per year, similarly focuses on solution-oriented training. Bill Ernisse describes the approach: "Here are the problems that salespeople are running into, we say, and we put them through role-play situations and case studies that address those problems." Xerox training may also involve interactive computer programs and custom videos.

The time element, the chore of getting as much effective training as possible accomplished in those two weeks or less, has encouraged many companies like Hercules, Bergen-Brunswig, and Xerox, among others, to decentralize training efforts as much as possible—to get it into the field in the form of self-paced training manuals, videos, and PC-based programs.

Bergen-Brunswig, according to national director of sales David Barousse, "is constantly looking for ways to compress training by looking for things that can be done at a field location rather than in a corporate training center. That way, training takes place in the same environment in which the skills are going to be used." That compression and portability of training materials also allows Bergen-Brunswig salespeople to devote one full day per month to training, without losing time out of the field for travel.

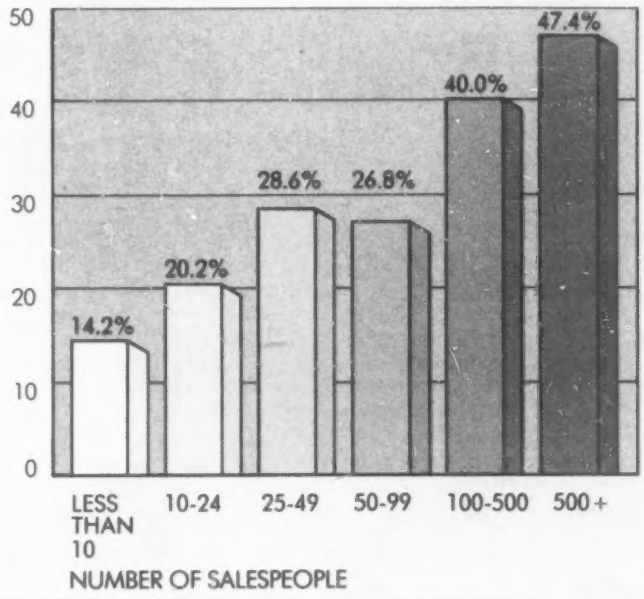
The goal of "compression," however, has also led some companies to the mistake of trying to cram too much training into the time they have avail-

"Experienced salespeople give as much training as they get."

TABLE 2

Time out of Field

% of Companies Providing Two or More Weeks of Training



Drill Them to Train Themselves

"The best salespeople are those who have embraced their own sales training regimen," says Brian Tracy, of Brian Tracy Learning Systems in Solana Beach, Cal. "They take it on themselves to assess their performance every day, to read something to improve their sales effectiveness every day, and to listen to audio training tapes in their car between calls. In other words, they look at what they do as a profession, and not a nine-to-five job."

You can identify the self-motivated professional, Tracy says, by the fact that after every presentation, after every call, he asks himself two questions:

- What did I do right?
- What would I do differently if I had to do it again?

The problem, of course, is that only a small percentage of salespeople are so highly self-motivated. The rest need a little help. And that's not the sort of help that you can provide in a rousing motivational session to kick off your annual sales meeting. That's "rah-rah" motivation, says Tracy, and it wears off in a day or two. True motivation, he says, comes from "an enhanced feeling of competence, confidence, and personal skills, and that comes from successful performance."

To get more of their salespeople moving toward that level of motivation and performance, Tracy advises his clients to hold 30-minute mini-training sessions two or three times per week in addition to longer, less frequent sessions. After all, he adds, "The Marines don't stay fit by training a couple of times per year."

able—or to try to accomplish all of their training goals in one shot. "One-shot training is the biggest waste a company can make of its money," says Derwin Fox of Learning International, whose training programs are typically conducted in three-day blocks several times a year. This may be doubly true for companies with large groups of salespeople that try to tack training sessions onto the end of annual sales meetings.

Training efforts are more successful when groups are kept small--as close to one-on-one as possible—and when they are spaced at regular intervals throughout the year. In particular, this allows companies to follow up on training effectiveness more closely and to build on previously learned skills.

TRAINING INSIDE AND OUT

Who provides sales training for most companies—corporate sales trainers or outside programs and consultants? While most companies have hired an outside trainer or consultant at one time or another, the majority of responding companies use resources within their companies or within their industries for the greater part of their training effort.

In fact, only 5% of our survey respondents make frequent use of outside trainers or consultants to conduct sales training sessions, 23% make occasional use of them, and as many as 35% say they never use them. Part of the reason may be that age-old fear of hiring a consultant to tell you something you already know—or should have known. Another is that as many as 70% of all companies, according to estimates by Brian Tracy, a sales trainer based in Solana Beach, Cal., do not provide sales training *at all* but do provide what amounts to product or technical training. Of those who do use outside training help, however, 70% say they're getting their money's worth.

Larger companies may use outside trainers or consultants more frequently (51% of responding companies with revenues of $500 million or more indicate that they use outside training help frequently or at least occasionally) and show greater satisfaction with the results (79% say they get their money's worth), but that may be because they have much more control over what those outside trainers are providing and how it is integrated into their overall training effort.

Warner-Lambert, for instance, uses outside trainers and training programs as the basis for all its programs, printed materials, and video training materials—but it never uses anything

right off the shelf. Instead, says Vincent Peters, sales training manager for the pharmaceuticals firm, "We use outside trainers only to train us." Materials and workbooks are then adapted internally to make them more industry-specific. The same holds true for videos: "We start from scratch whenever we put together a training video. The basics may be the same as an off-the-shelf program, but they're completely customized to our needs." The interactive videos, in fact, are an important element in Warner-Lambert's training program, which is accomplished largely in field offices throughout the world. The videos may cost $50,000 or more to produce, but because of the care and customization that goes into them, they have an extended shelf life. In fact, says Peters, "Some of them never become obsolete."

Smaller companies with smaller budgets, of course, must make greater use of what comes off the shelf, but they're just as concerned about customizing training to their companies and industries. One of the most frequent complaints about outside training programs is that they're just not industry-specific enough.

Carole Broadus, who directs training for the salespeople who sell Learning International's training programs, says that her people have heard that same complaint and she sympathizes with it. Her company is responding to that call by training its salespeople to find out more about customers and their industries up front, to help in developing more relevant training material.

MAKING TRAINING COUNT

Our survey confirms the importance of evaluation and follow-up in sales training.

Explains Barousse of Bergen-Brunswig, "Our follow-up and support is based on the fact that everyone in the company, from the president and group vice presidents through divisional people and regional managers, not only knows about the training but has gone through it themselves. So the salesperson knows everyone will be speaking the same language and directing their attention toward the same goals." Training efforts are also reinforced through a newsletter, a monthly half-hour video, and other communications to the field.

Our survey shows, in fact, that *most* companies make some effort to measure and evaluate the success of their sales training programs, primarily by observing salespeople in action before and after training (48%) and the obvious benchmark of increased sales (40%). But it should also be obvious that changes in sales volume may be the result of a lot of things—compensation, competition, recruitment, coaching, incentive programs, and market changes among them—that have nothing to do with sales training.

Before-and-after testing, on the other hand, offers a relatively simple means of finding out what salespeople have retained. "You'd be surprised at how much of our evaluation effort is a matter of black marks on white paper," says Bill Ernisse of Xerox.

Depending on the nature of their sales effort and their industry, other measures that companies might want to use, says Kevin Corcoran, vice president of marketing at Learning International, are the number of sales calls made by salespeople before and after training, the average revenue per sales call, the cost of a sales call, the average length of the sales cycle, and the call-to-close ratio. Any one or combination of these can be useful as measures of training effectiveness, says Corcoran, but all can be undermined by something as simple as a change in sales managers for a particular region.

In fact, the sales manager plays a pivotal role in the success of any training program through his or her roles as overseer, evaluator, and coach. Steve Fusco, for instance, a business development manager and former sales manager for Videoconferencing Systems Inc. of Norcross, Ga., suggests that the 50% of our survey sample that felt their sales results wouldn't change "probably didn't use their sales managers to enforce and reinforce their sales training to begin with. Or if they did hold their sales managers accountable, they didn't give them the time to get out in the field to see that salespeople were applying the techniques they'd learned."

Another resource that companies tap to add an extra dimension to their training—one that will contribute to making it more industry-specific, more credible, and more likely to be utilized and supported back in the field—is to incorporate senior salespeople into the training effort.

"Senior people can provide a valuable training model by sharing their experience of good sales," says Carole Broadus of Learning International.

California-based American Honda went even further to institutionalize the success stories of their best salespeople as part of their sales training. They sent commercial production company MultiMedia Films on the road to collect videotape interviews from top salespeople at dealerships throughout the country. According to Bill Young, product and sales information manager for Honda, there is no "corporate line" on how to make the sale, and dealers and salespeople are encouraged to create their own approach. Honda's five-part training film series, "The Road to a Sale," is meant to collect the best of those approaches and make sure salespeople around the country get a chance to see them. Young went through Honda dealerships to identify salespeople who had demonstrated special skill in one or more steps of the sales process: meeting, greeting, and qualifying; presentation and demonstration; closing; delivery; and follow-up. Says Young: "It's the most successful training series we've ever done."

And if Honda stopped all of its training efforts tomorrow—what would happen to its sales? Young can't conceive of that possibility and is making plans for a second series of training films based on interviews with successful salespeople.

In fact, the 50% response that sales would remain level by year's end if all sales training programs were halted tomorrow is misleading—particularly when we see that 66% of the respondents would like to spend more money on training than they are. That surprising result may be due to the fact that many companies take a more sophisticated, long-term view of training effectiveness. In many cases, for instance, companies say that sales would stay level for perhaps a year but would be sure to fall in a 12- to 18-month period if training programs were discontinued.

"We see training as insurance on our biggest asset—human resources," says David Barousse of Bergen-Brunswig. "Find me a company without that insurance, that has stopped training its salespeople, and I'll target that market and that company and have its business by year's end." □

Survey Datafact

DENSER, DENSER, DENSEST

Chicago's population per square mile of 3,261 might seem pretty crowded, until you discover that the New York metro area has a population density more than twice as high—7,491. But neither one can hold a candle to Jersey City, where the population per square mile is a staggering 11,880 people.

SOURCE: S&MM'S 1989 SURVEY OF BUYING POWER.

NOT ART FOR ART'S SAKE

One of the fastest-growing software markets is the new breed of do-it-yourself presentation programs that enable salespeople to create their own visuals. Unit shipments of such software will more than double in the 1988-93 time frame to 4.882 million units, says William L. Coggshall, head of Desktop Presentations, a Mountain View, Cal., research firm.

Timothy P. Byrne, a Procter & Gamble key account manager in their Boston office, points out the big appeal of such software: "I can customize each presentation. This is very critical when you want to align yourself as close to customer needs as you can."

The new technology raises a prickly issue—namely, should salespeople tackle what up to now has been the turf of graphic designers. Ironically, one of the hurdles PC software vendors face is corporate reluctance to vitiate their investment in graphics departments.

Software vendors, who have a vested interest at stake, insist that the artist's smock can fit a salesperson. Mark Sherman, product manager of Persuasion at Aldus Corp., Seattle, explains: "When we developed Persuasion, we decided that a tool to be used by a businessperson must eliminate requirements for design skills. Once a salesperson using Persuasion outlines the presentation, the software lays out and formats the slides."

Top Five Presentation Programs

	1988 Shipments (Thous.)
1. Harvard Graphics (Software Publishing)	151.7
2. ShowPartner F/X (Brightbill-Roberts)	125.0
3. Freelance (Lotus Development)	120.0
4. GEM Graph (Digital Research)	79.0
5. Chart (Microsoft)	70.0

SOURCE: Dataquest.

Cary Fulbright, product manager of Harvard Graphics at Software Publishing, Mountain View, Cal., says, "The graphic arts department formats fill-in-the-blanks templates. The salesperson can do a spreadsheet analysis, then go into Harvard Graphics, where the templates will read the worksheets and graph the results."

Most companies, while admitting the presentation mode is becoming as

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important as the content, aren't ready to give salespeople free rein. According to Fred Lampe, manager of technical analysis at Northern Telecom's customer presentation center in Research Triangle Park, N.C., his department uses Microsoft's PowerPoint to generate the information and graphic content to support Northern Telecom's new products or services.

"Once we feel comfortable with a new product or service," he says, "marketing communications will create a 35mm slide presentation and distribute it to the general sales force to use when calling on telephone companies."

Honeywell's MicroSwitch division in Freeport, Ill., gives its sales force more latitude. "The marketing people put together the core presentation," says analyst Michael Palmer. "However, we give the salespeople enough skills with Harvard Graphics so they can customize it."

At Apple Computer in Cupertino, Cal., the marketing department creates a basic sales presentation, which is then customized by field sales personnel for use by computer dealers. The presentations are distributed on CD-ROMs so that sound and animation can be included.

Use of Portables Today and Tomorrow by Company Size

DEPT.	TOTAL TODAY	TOTAL FUTURE	SMALL TODAY	SMALL FUTURE	MEDIUM TODAY	MEDIUM FUTURE	LARGE TODAY	LARGE FUTURE
Accounting/ Finance	24%	17%	22%	19%	26%	19%	24%	15%
Sales	10	16	8	12	12	19	9	15
Other	20	15	24	21	20	16	19	13
MIS/DP	11	13	9	7	11	13	12	15
General usage/ all depts.	13	12	6	2	10	9	17	16
Don't know	4	12	3	16	6	11	3	11
In-home use	11	10	7	5	10	8	14	13
Engineering	8	7	7	12	9	9	8	5
Pres./VP	2	1	6	2	1	1	*	1

*Less than .1%.
Note: Totals won't add to 100% due to multiple choice.
Definitions: small, 1-99 employees; medium, 100-499; large, 500+.
SOURCE: Dataquest, *Personal Computers in Business — A Market Report.*

LAPTOP USE FOCUSES ON SALES FORCE

Sales is the only department that will enjoy significant increases in the use of portable PCs. At least that's the conclusion reached in a survey among 1,216 companies conducted by Dataquest, the San Jose, Cal., researcher.

The larger the company, the greater the sales use: the share of small companies planning to put laptops in the sales department is projected to go up 50%; medium-sized firms, 58%; large firms, 66%.

The catalyst for the surge: more face time with customers. Lynn Anderson-Dacy, marketing manager of Envoy Systems, a Waltham, Mass., marketer of a turnkey sales force automation system, says polls of attendees at their seminars indicate marketers are looking for a 60%-65% increase in face-to-face selling time. □

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IS YOUR SALES PAY PLAN PUTTING THE SQUEEZE ON TOP PERFORMERS?

BY WILLIAM KEENAN JR.,
SENIOR EDITOR

Not all salespeople are alike—few sales managers are likely to argue with that claim. There is a wide variety among salespeople in energy, ingenuity, contacts, and overall selling skills that accounts for a wide range in individual sales performance.

If that's the case, then why, you might wonder, does sales compensation seem to be undergoing a significant compression—with the range of compensation growing much more narrow and the compensation levels of top performers being kept much closer to the overall average?

Signs of that compression are readily apparent in a recent survey of sales compensation policies and practices conducted by TPF&C, a Towers Perrin company, as part of an ongoing compensation database. The trend seems to be affecting consumer and industrial products companies in particular, where the difference in pay between below-average and above-average salespeople—what might be dubbed the "performance premium"—is virtually the same as one that would typically be established for clerical and most other non-sales positions that are paid straight salary.

The survey, covering compensation for salespeople and managers at more than 120 Fortune 500 or equivalent companies, suggests that while companies may pay lip service to the notion of pay-for-performance, in sales—where actual performance may be measured more objectively than for virtually any other position—compensation levels are becoming more compressed, more alike, more homogenized, whether the salesperson is among a company's top performers or simply average.

MINIMIZING THE DIFFERENCE

"The question I would ask of any company that found its sales compensation becoming compressed to so narrow a range," says Frank X. Dowd, a principal and sales management specialist in the Stamford, Conn., office of TPF&C, "is what kind of message do you want to send to your salespeople? Do you want to reward your top people by paying them only marginally more than salespeople who are performing closer to the overall average?"

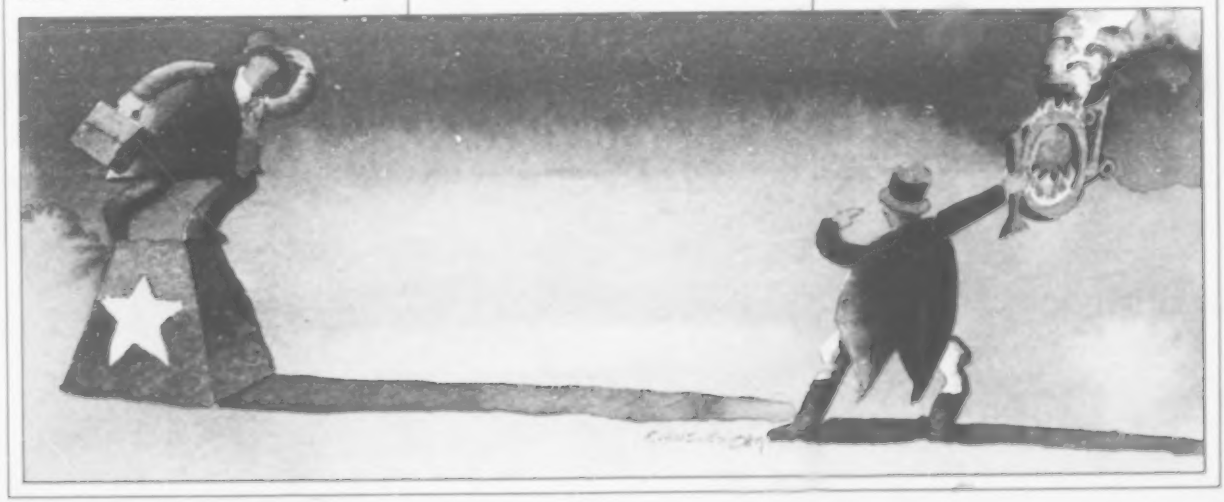
Table 2 illustrates the point dramatically. For this table, TPF&C asked survey participants to rank the total earnings of all of their salespeople and compare the earnings at the first quartile (25% of their salespeople make equal to or less than this amount) and the third quartile (25% would make equal to or more than this) to the average for their sales force as a whole. The "premium" is determined by dividing the third quartile ratio by that of the first quartile.

The homogenization of sales compensation is seen most vividly in consumer and industrial products companies, where even sub-par performers—those at the bottom quartile—can expect to earn 90% of the average sales compensation for the company. By the same token, higher level performers, those at the third quartile, will be making only 9% and 10% better than average in consumer and industrial products, respectively. Even more telling is the fact that the highest-paid salesperson in those industries—the star, the top gun—earns only 123% of the average at industrial companies and 128% of the average at consumer products companies. That's a sure sign, Dowd says, that these companies have put in place some kind of limiting formula or cap on sales compensation to keep pay for top performers closer to earth. By contrast, the top sales performer at a business services company typically makes as much as 160% of what the average salesperson at the same company would earn.

WHERE'S THE RISK?

The amount of pay at risk may be something of a factor in the pay differences. Incentive pay targets for salespeople at consumer products companies typically fall in the range of 15%-20% of base salary; for industrial products companies, they're closer to 20%-25%. For salespeople in *business services*, however, incentive pay amounts to an additional 50%-70% over the salesperson's base pay.

These numbers could be misleading, however. "In fact," says Dowd, "some companies may be telling their sales force that their pay is at risk when



FRANK ANSLEY

TABLE 1

Total Cash Compensation

Position (experience)	Industry Segment: Business Services	Industrial Products	Consumer Products
Junior (0 to 1 year)	$38,800	$30,400	$29,900
Intermediate (2 to 4)	43,600	41,800	36,700
Senior (over 5)	59,900	52,700	44,900
Key accounts (over 5)	71,000	60,000	53,000
First line supervisor	83,600	69,000	51,800

TABLE 2

Benchmark Compensation Ratios

	Industry Segment: Business Services	Industrial Products	Consumer Products
Ratio of first quartile to average for sales force	82%	90%	90%
Ratio of third quartile to average for sales force	113%	110%	109%
Ratio of highest paid salesperson to average	160%	123%	128%
Performance premium (third-quartile ratio divided by first-quartile ratio)	38%	22%	21%

NOTE: For the purposes of this survey, respondents were asked to rank all of their salespeople in order of their total cash compensation from the lowest paid at the bottom of the range to the highest paid at the top. The first quartile in this type of ranking would be represented by the total compensation for the salesperson who ranks one-quarter of the way up from the bottom, and the third quartile by the pay of the salesperson who ranks three-quarters of the way up from the bottom (or one-quarter of the way down from the top). Thus if a company had 100 salespeople ranked from the lowest paid (No. 1) to the highest paid (No. 100), the first quartile would be represented by the pay delivered to salesperson No. 25 and the third quartile by the pay delivered to salesperson No. 75. The performance premium would tell you the percentage difference between No. 25 and No. 75 in the compensation pecking order.

SOURCE: TPF&C

it really isn't." While most incentive plans are designed to promote and reward superior performance, that goal is often undercut at the field level. "Some sales managers may be equalizing compensation results by giving their best performers higher quotas or by dealing off new assignments to the person at 85% of quota rather than the person at 130%."

Now the numbers should not be all that surprising for consumer products marketers, says Dowd, "where the role and responsibilities of the local sales rep is usually geared more toward providing in-store support in the form of merchandising, training, and enlisting support on promotions, and less toward pure selling." The selling influence in general is more dispersed at the same time that the buying influence on the retailers' end has become more consolidated. But the role of the salesperson still retains some prominence in industrial sales, he adds, "and I'm surprised at the 22% premium we see there between above- and below-average performers."

What the numbers seem to make clear is that if your nephew or niece is interested in a job in sales, you would do well to steer them toward a business services company. Not only can they expect higher earnings at all levels of experience even if they are average performers (see Table 1), but they can also expect a much greater payout if they turn out to be one of the stars (Table 2). There is a downside risk in the higher portion of pay that is driven by performance. As a result, a salesperson at the first quartile in business services will make only 82% of what the average salesperson makes—though even that risk doesn't seem so great in light of the opportunities and the fact that the average salesperson's pay is greater than that in consumer and industrial products sales.

Some of the reasons behind the bigger numbers in business services might also recommend it as a career choice. In particular, the salesperson has a *very* prominent role to play in the marketplace. "In many cases, the sales rep in business services may be creating the market he or she is selling to," Dowd says. "A prospect who is asked to consider buying certain information, advisory, or communications services may never have used that service before, may not even be aware that he needs it." But that's true pay for performance—the greater the risk, the greater the reward, right? And hasn't that been the great motivator in sales since the first salesperson took to the road? □

INCENTIVES

Continued from page 72

have been very displeased by trips where I did not previously check out the facilities. I've also been very embarrassed."

For executives who don't have the budget or time for site inspections, Greg Thomas, premium buyer for the Evansville, Ind.-based Credit Thrift Financial Corp., suggests a partial answer: "More videotape previews of facilities."

"Finding a cost-effective agency to manage the program" is the biggest challenge for Dwight Fish, sales director of Renaissance Publishing, Auburn, Ind. "We are in the middle of a growth cycle and are just a bit understaffed to manage in-house and not large enough to let an outside service take over."

For most users, the local travel agent has a slight edge in planning, preferred by 47%. Forty-six percent manage their programs in-house. Only 19% engage full-service incentive houses, and 17% count on the direct services of travel suppliers. (Multiple answers account for a total exceeding 100%.)

Toting up dollars or units sold is the most popular measure of a program's results (64%); second choice (42%) is the percent of eligible people reaching quota. Twenty-three percent calculate increase in market share, and another 23% figure the profit on incremental sales. About 17%, based on their sales organization structures, judge branch or district performance.

A common dilemma is expressed by an airline executive who has trouble "evaluating whether additional revenue was derived from the incentive program or from other sources."

Still, there is nothing like a healthy sales increase to make everyone happy—even a skeptical management. Cora M. Lapsins of Transamerica Commercial Finance, Schaumburg, Ill., recently conducted a group trip for 40 company salespeople and their spouses. The incentive program was primarily aimed at boosting morale, Lapsins says, but had a substantial sales increase to show for it as well.

"The biggest problem I had," Lapsins says, "was convincing top management that an incentive travel program was not an additional expense but rather an investment in the people of the company that would be paid back tenfold. Our company had never done any incentive travel program before, so it was difficult to persuade them that it would work. But we did it. . . . We achieved a 26% increase in sales volume during the contest period. Incentive travel programs do work!" □